

## **ASPECTS REGARDING THE INTERFERENCE BETWEEN SOCIAL ENTREPRENEURSHIP AND ECONOMIC DEVELOPMENT**

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*Abstract: Entrepreneurial process depends on the level of economic development and the cultural, political and social contexts in which it appears. Social entrepreneurship represents a process through which citizens build and transform institutions in order to address solutions to special aspects like poverty, environment issues, human rights abuses and corruption with the purpose of improving the quality of life. According to Greg Dees, social entrepreneurs improve the production capacity of the society and propel it to economic development by creating human and resource mixtures to further increase the society's ability to solve problems. Social entrepreneurship represents an important tool to restore the equilibrium between economic objectives and social welfare, a source of economic value creation bringing a contribution to a higher social justice. One of social entrepreneurship's main dimensions, the social change, is the ground base for economic development. Whenever a social entrepreneur successfully implements a fundamental change, it travels, in time, down to the society. A new idea of a social entrepreneur challenges the existing pattern, being like a seed planted among communities which grow and transform the society from the bottom to the top.*

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### **Introduction**

Although there are several definitions for social entrepreneurship, all of them have as common grounds the idea that the results based on social and environment components are more important than the profit maximization or various strategic goals. Another aspect in common is the innovation which may be obtained through new organizational models and processes, new products and services or through new approaches of the social challenges. Many social entrepreneurship initiatives combine these various innovation models. Social entrepreneurship is associated with the non-profit activities, a general category that includes most of the organizations that cannot be classified as social enterprises although they are connected to social change and some of them enable the generation of solutions for issues such as poverty, hunger or sickness. Social entrepreneurship is a process that generates social value by combining various resources in order to explore and exploit opportunities that generate value and stimulate social change.

### **Social entrepreneurship and economic development**

The main goal of social entrepreneurship initiatives is generating a systemic, large scale change in which the most important role belongs to the social entrepreneur. Swednerg (2006) claims that according to Schumpeter, social entrepreneurship can be defined as a form of dynamic behavior in a social non-economic area. In his opinion, the economic development includes the social change, fact that demonstrates that he took into consideration the relationship and the interaction between the economy and the society. Social entrepreneurship became a fashionable concept during the last years. The concept became more and more

encountered within commercial markets, academic speeches and politics. Besides transforming the existing markets, social entrepreneurship is utilized in the creation of new markets and niches. It is an important tool to restore the equilibrium between economic objectives and social welfare, a source of economic value creation and a contributor to a higher social justice.

Changes generated by social entrepreneurship are definitively not comparable to those brought by natural disasters or political revolutions in terms of speed and amplitude but they represent a systemic transformation concerning thinking, behavior, social relationships and social structure.

Both social economy and social enterprises have an important role in developing an intelligent and sustainable social and economic model based on the division of roles and responsibilities among the market, the state, the third sector and the individuals. Traditional social economy entities, the new social enterprises, socially responsible consumers and the companies seeking profit share the priority for social values and the concern to get a positive impact over the welfare of the society and economic development. The main activity performed by social economy and social enterprises contributes to increase and diversify the offers for services destined to families and individuals. These organizations are able to identify the existing needs and to come up with proper solutions. The ability to identify the current needs and the proper solutions lies in the heterogeneity of the parts involved in the process. Most of them are workers, clients or volunteers who make sure that the new services answer the needs of the local communities. The history of social enterprises shows that they have always been innovative, prepared to serve the needs of the people who set them up. Due to their characteristics and to the fact that they operate within a market in which they have to maintain a high level of efficiency, the organizations of social economy contribute significantly to social innovation, developing continuously new product and services addressed to social needs. A significant part of the social enterprises fight to obtain a systemic change by insertion of new business models, modernizing the supply chain, taking into consideration the unobserved talents and the exploitation of the resources not utilized.

Social entrepreneurs are motivated by the emotion of a transforming experience, considering their role as reaching a higher purpose than getting only economic value within an organization. According to Dacin (2011), they balance the creation of economic and social value. Although they are ambitious, they differentiate themselves from the classic entrepreneurs by the fact that their ambition is not motivated by their own interest but by the need to get benefits for a larger group or for the society. To them, competition is very important and they often share ideas and visions, being aware of the fact that they cannot address by themselves to the entire social problem. Therefore, competitors are often considered partners with whom they improve the quality of life for the people they help, and through this mentality they accomplish faster their mission.

Social entrepreneurship is financially supported by a social capital market that includes a series of institutions which cover various risk segments. Most of the initiatives are developed at local level and benefit of limited resources. In order to fulfill their social mission, they have to be extended at a larger scale in order to support a higher number of people. Social enterprises have to develop a financing strategy in order to cover expenses and to finance the effort correlated to an action area extension. Regular expenses are generally covered by internal financing, while the expansion spending are usually covered through external financing or financial instruments provided by the social capital market institutions.

Social entrepreneurship organizations grow since they answer to the new needs of their customers being often challenged to deliver new services. Developing a new range of services involves risks, additional time and resources. Another challenge of these organizations is the governance which becomes more and more complex as the activities

diversify. The several funders, partners, clients, staff and the existence of several branches involves separate legal regularities, taxes and governance structure which make more difficult the decision making process. As they develop, organizations have to expand their competencies. If in the beginning they count on the entrepreneur's creativity, as the activities diversify, analytical and executive skills are necessary. Organizations have to fulfill the expectations in terms of execution in order to build their reputation. Once they get mature, with a significant service portfolio, it is essential that they are capable to evaluate the extent in which they reach their objectives related to reporting to donors, clients and individuals that the organizations are efficient. All the challenges met are proportional to their evolution especially when they have to secure their sustainability. Innovative organizations cannot remain at small dimensions; they fail, grow or they are purchased by a greater business. By becoming part of a big company, the small organization gains access to individuals with a high level of competence. One possibility to benefit of these and at the same time keep their independence is to develop a strategic partnership with a big company.

Social entrepreneurs' goal is to promote collaboration solutions to social problems which bring together the community and public and private sectors. They neither try to replace the state's role nor to change it. Social wealth should remain a standard of social progress and a society should be judged by the way the most disadvantaged and vulnerable members live. A globally competitive economy should maximize the human capital utilization and assets while keeping a low level of taxes and control public expenditures. The health of an economy, including the private sector, depends in a great measure of the efficiency of the social services. Public policies for social innovation cannot depend only on the state, but on an alliance between the public sector and the private companies. Social entrepreneurs must find themselves both inside and outside the public sector. Even big companies can be transformed through ideas generated in small organizations. Large companies focus also on the social aspect not only on the commercial one but many of them have to identify the proper ways to direct social interests.

Many social entrepreneurs do not stop after creating social value but their efforts generate a sustainable change within the economic or social relations of disadvantaged groups. Some social businesses are extremely innovative and some less but innovation creates social value if it allows individuals obtain more with less efforts or to solve problems apparently unsolvable. The most important social value does not come from dividends or just innovations but from the systemic change that transform the way things work.

The orientation towards market differentiates the social entrepreneurship of other social organizations; it is the dimension that determines rationalizing the strategic operations as response to exogenous variables traditionally conceived as pressure to competitive markets. Many organizations having a social goal are found in dysfunctional or nonexistent markets but the entrepreneurs recognize the value of the markets that offer the framework to direct resources and reach a social objective. The orientation towards market by focusing on an efficient use of resources differentiates the initiatives of social entrepreneurship of traditional models of social services as nonprofit organizations and the public sector. This orientation encourages responsibility, innovation and economic development.

### **Conclusions**

Individuals permanently seek to develop and to reach a more civilized level of life. Within markets there should be a common understanding with stakeholders fighting to reach the same objectives. To what concerns the social entrepreneurship, it brings to attention that the main objective should not be only the profit since experience showed to what great disasters the activities of multinational companies led. Their investments disturbed the local communities getting people out of their homes and even to lose their lives. Therefore, the

social component should be paid great attention since it is one of the most significant barometers to a healthy economy.

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